



## FORM ADV II PART 2A

SENDERO™ WEALTH MANAGEMENT, LLC.  
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This Brochure provides information about the qualification and business practices of Sendero Wealth Management, LLC ("Sendero"). If you have any questions about the contents of this Brochure, please contact us at [support@sendero.com](mailto:support@sendero.com). The information in this Brochure has not been approved or verified by the United State Securities and Exchange Commission or by any state securities authority.

Sendero is a registered investment advisor. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Adviser.

Additional information about Sendero is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Sendero who are registered, or are required to be registered, as investment advisor representatives of Sendero.

## ITEM 2- MATERIAL CHANGES

On July 28, 2010 the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure date March 31, 2017 is an updated document prepared according to the SEC’s new requirements and rules and replaces our previous Brochure dated October 2016.

Effective March 2017 Sendero has begun its launch of eWealth by Sendero™. For progress of eWealth by Sendero™, please see Item 4.

Our brochure may be requested by contacting Lisa Kahn-Smith, Chief Compliance Officer at 210-805-1180 or emailing her at [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com). Our brochure is also available on our website, [www.sendero.com](http://www.sendero.com).

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## **ITEM 4 – ADVISORY BUSINESS**

Sendero Wealth Management is an independent, San Antonio based firm with a conservative “stay wealthy” approach to investing. The Sendero team has provided investment consulting services to families and select institutions since our founding. Sendero was created in 2008 but prior to that, it was a division of Redstone Consulting, LLC beginning in 2000.

Redstone was founded in 1995 as a PaineWebber affiliate and later transitioned to an independent open-architecture platform in 2000 by becoming the San Antonio affiliate of The Redstone Companies, L.P. in 2008. Sendero Wealth Management amicably spun out of Redstone to achieve independence and to avoid any potential conflicts of interest as Redstone pursued private equity interests. During 2012, the ownership of Sendero Wealth Management was restructured resulting in the purchase of 100% of the RIA by Sendero Partners. Fred W. Middleton and Scott R. McMillian are controlling beneficial owners of Sendero Partners. Sendero Partners is owned 80% by Sendero employees and 20% by a passive investor, which is also a client of the Firm. Sendero Partners is the parent company of Sendero Wealth Management, LLC and Sendero Securities, LLC, a FINRA member broker/dealer.

All portfolios managed by Sendero Wealth Management are managed on a non-discretionary basis. Sendero will make investment allocation recommendations for these accounts, but the client must approve the recommendations before they are applied to the portfolio.

All portfolios managed by eWealth by Sendero are managed with discretion of Model allocation. Sendero will make Model allocation recommendations based on Risk Questionnaire for these accounts. Models are to be rebalanced at least annually unless Model proportions dictate sooner.

As of December 31, 2016, eWealth by Sendero had \$0 in discretionary assets under management and Sendero Wealth Management had \$3.3 billion in non-discretionary assets under advisement.

### **Our Services**

Sendero offers customized investment strategies to help our clients preserve and grow their wealth responsibility. We offer traditional asset allocation, manager selection and sophisticated investment oversight for clients with \$5 MM or more in investable assets. The minimum client assets required for the eWealth platform is \$1MM in investable assets. The minimum requirements for both of these services may be reduced at the Firm’s sole discretion.

### **Traditional Advisory Services**

We develop and implement investment strategies based on a client’s entire financial situation, not just their managed assets. Our open architecture manager selection process provides a truly unbiased selection of both traditional and alternative investment managers. We do not create, manage or sell our own products. We are a privately-owned, independent firm with deep family values and a passion for personalized service.

### **Organization of Wealth**

Sendero provides the facilities and expertise to sort through the complexities of investing large pools of assets. We gather data on all client assets and present a clear, easy to understand analysis of total wealth.

### **Open Architecture Portfolio Manager Selection**

Sendero uses an open architecture platform. To eliminate conflicts of interest, we believe that all managers should be independent from advisors. The investment managers selected for client portfolios exercise discretion (buy and sell within your account) on the mandate for which they have been hired. Sendero, however, does not have any discretionary accounts but instead acts as an advisor providing insight, guidance and recommendations to the overall portfolio. We act on our recommendations only after the client has provided consent to make a change to a manager or asset allocation.

### **Strategic Asset Allocation**

Sendero uses a holistic view of wealth combined with an investment policy directive from the client to gain important insight into the most appropriate combination of assets for achieving a “stay wealthy” portfolio with minimal risk. Portfolios usually include traditional equity and fixed income securities combined with non-correlated asset class investments such as absolute return funds, alternative investments, real estate, and private equity.

### **Expert Oversight**

Clients need access to their assets and we take pride in making this easy while staying true to the client’s ideal investment strategy. We leverage sophisticated analysis and creative investment techniques to delicately balance a long-term, tax sensitive discipline with the immediate cash flow needs of each relationship.

### **Ongoing Manager Due Diligence**

While conference calls and visits from our managers to the Sendero offices occur throughout the year, our due diligence team visits each manager at their respective offices, at least annually. We conduct approximately 200-240 manager visits/conference calls each year. Sendero believes it is important to visit the managers in their own environment so that our team gets a feel for the culture, people, investment process and business management. The due diligence team researches the investment process, current trades in the portfolio, themes the managers are implementing in the portfolios, review of analysts’ reports, as well as risk metrics and personnel. In addition to the technical research, our team wants to know what is happening in the personal lives of our managers as it may impact the portfolio and it is not something that can be picked up from a database. The relationships with our managers are very important and we allocate significant capital (one of our top three expenses) to the due diligence process.

### **Investment Advocates**

We provide intelligent counsel for most investment situations, recommending prudent and responsibly priced services for each client. When appropriate, we facilitate access to specialists for services beyond our scope of expertise. We consider it our duty to identify the most appropriate solution for any investment decision impacting our clients.

Sendero's investment management services may include, without limitation, any one or more of the follow services:

- Advice
- Idea generation
- Family governance
- Education
- Asset allocation
- Due diligence
- Research
- Manager searches
- Performance reporting

### **Advisory Services offered through e-wealth**

eWealth by Sendero offers various portfolio models and uses ETF's and mutual funds as the investments made by each model. ewealth brings Sendero's attributes of open architecture, manager due diligence, oversight and strategic asset allocation to clients with investable assets of \$1-5MM. ewealth marries those cultural attributes with technology allowing clients to control basic functions through our portal such as account opening, money movement, and performance reporting. Clients may also connect to their financial data from other institutions allowing for consolidated financial reporting.

eWealth by Sendero delivers best in class asset allocation and due diligence in a digital platform. The services offered by ewealth include:

- Quick and simple account opening
- Personalized advice
- Easy to understand asset allocation
- Institutional level analytics and performance reporting
- Choice of active or passive asset management strategies
- Online money transfer
- Easy aggregation of outside account information for a consolidated financial picture

### **ITEM 5 – FEES AND COMPENSATION**

Sendero Wealth Management bills clients quarterly in advance based on the market value of the assets within the clients' portfolios as of the last day of the preceding calendar quarter, unless other

arrangements have been made. If an account is closed during the quarter, fees are pro-rated and returned for the remaining duration of the quarter. Fees are adjusted for any withdrawals or additions greater than 5% in the next billing cycle. Manager fees are in addition to Sendero advisory fees and may be billed at different times (beginning or end of period, average assets, market values, etc.). Sendero reviews all invoices from managers' fees to confirm the calculations are correct.

All Sendero and eWealth by Sendero clients may incur additional charges that may be imposed by the custodian, including margin interest, costs associated with exchanging foreign currencies, Securities and Exchange Commission ("SEC") fees, transfer fees, exchange fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. Such charges, fees and commissions are exclusive of and in addition to Sendero's fees. Additional fees for work outside our normal services may apply. (i.e. services related to divorce, estates, family office, account reconciliations and foreign transfers).

The rate used each quarter for all fee schedules for Sendero traditional clients will be one-fourth of the annual rate. Accounts may be subject to any minimum fee specified in the Client Agreement. The initial fee ("initial Fee") will be calculated as the date the Client Agreement is accepted by Sender (the "Commencement Date"). The Initial Fee will cover the period from the Commencement Date until the last day of the initial calendar quarter. The Initial Fee will be calculated proportionately with respect to the number of days in the initial billing period, and will be based on the market value of the client's assets on the Commencement Date. Thereafter, the quarterly fee will be calculated based on the market value of the client's assets as of the last day of the preceding calendar quarter. The quarterly fee will become due on the first business day of the following calendar quarter, and will be deducted from the account shortly thereafter.

If a client chooses to use a Portfolio Manager that is not an approved Sendero Portfolio Manager, that client will not receive the full range of consulting services described in this brochure with respect to that Portfolio Manager. Sendero is not responsible for reviewing Portfolio Managers that are not on their approved platform or for communicating any information about those Portfolio Managers to any client. Clients may pay the full Advisory Fee to Sendero with respect to assets invested with Portfolio Managers not on the Sendero platform, even though a client does not receive from Sendero all the services that the client would receive with respect to Sendero approved Portfolio Managers.

Clients can make additional contributions into an account at any time, subject to Sendero's right to terminate the account. Additional contributions may be in cash or marketable securities, provided that Sendero and the applicable Portfolio Manager reserve the right to decline to accept certain securities into an account. Sendero may accept other types of investments for deposit at its sole discretion. Clients generally may withdraw assets within ten (10) business days upon written notice to Sendero, subject to usual and customary securities settlement procedures. A pro-rated fee will be charged on contributions to cover the period of time from the date of deposit until the last calendar day of the calendar quarter. Similarly, a pro-rated fee reduction will be made on withdrawals from an account to reflect the period of time from the date of withdrawal until the end of the billing period. All contribution and withdrawal flows will be captured in the "next" quarter billing period.

Sendero advisory clients may choose between the following fee options:

#### Sendero Wealth Management Maximum Advisory Fee Schedule

| Sendero Wealth Management Maximum Advisory Fee Schedule (Transaction Cost Included)* |              |               |
|--|--------------|---------------|
| On the first   | \$15,000,000 | 1.20% (120BP) |
| On the next  | \$15,000,000 | 1.00% (100BP) |
| On the next  | \$10,000,000 | 0.90% (90BP)  |
| On the next  | \$10,000,000 | 0.80% (80BP)  |
| Over   | \$50,000,000 | 0.70% (70BP)  |

\*The above fee schedule does not include 3<sup>rd</sup> Party manager fees

The Advisory Fee schedule covers Sendero's investment advisory services and reporting as described in this brochure as well as any custody and execution of transactions through the Clearing Firm. The Advisory Fee schedule does not include the Portfolio Manager's fee. The Advisory Fee schedule does not cover certain costs or charges that may be imposed by the Broker-Dealer, including margin interest, costs associated with exchanging foreign currencies, Securities and Exchange Commission ("SEC") fees, transfer fees exchange fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Advisory Fee Schedule does not cover "mark-ups" or "mark-downs" or commissions for 3<sup>rd</sup> party manager trade away charges that other broker-dealers may receive or fees received when acting as principal in certain transactions.

#### Sendero Wealth Management Non-Wrap Advisory Fee Schedule

Sendero's Non-Wrap Fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. When the Client chooses the Sendero Non-Wrap Fee Schedule, each managed account will be charged the following fees: a) advisory fee by Sendero, b) management fees assessed by the Portfolio Manager, c) trading and custody fees by the Broker Dealer, d) custody fees by the custodian if different from the Broker Dealer, and e) Trust fees in the case of a Trust.

#### Sendero Wealth Management Maximum Non-Wrap Advisory Fee Schedule

| Sendero Wealth Management Maximum Non-Wrap Advisory Fee Schedule |              |               |
|--|--------------|---------------|
| On the first   | \$15,000,000 | 1.00% (100BP) |
| On the next  | \$15,000,000 | 0.90% (90BP)  |
| On the next  | \$10,000,000 | 0.80% (80BP)  |
| On the next  | \$10,000,000 | 0.70% (70BP)  |
| Over   | \$50,000,000 | 0.60% (60BP)  |



For clients choosing Non-Wrap Fee, the advisory fee covers Sendero’s investment consulting services and reporting as described in this brochure. No other charges are covered by the Non-Wrap Fee Program including the Portfolio Manager’s asset management services or any other charges passed on by the broker-dealer.

#### **eWealth by Sendero Maximum Fee Schedule**

| <b>eWealth by Sendero Maximum Advisory Fee Schedule*</b> |             |              |
|--|-------------|--------------|
| On the first   | \$1,000,000 | 0.95% (95BP) |
| On the next  | \$1,500,000 | 0.85% (85BP) |
| On the next  | \$2,500,000 | 0.70% (70BP) |
| On the next  | \$5,000,000 | 0.60% (60BP) |

\*not including certain costs that may be imposed by the Broker-Dealer or third parties, such as SEC fees, margin interest, and other fees required by law

The eWealth by Sendero Fee covers Sendero’s investment advisory services and reporting as described in this brochure. The eWealth by Sendero Fee does not include transaction charges or any other charges that may be imposed by the Broker-Dealer, including margin interest, securities and Exchange Commission (“SEC”) fees, transfer fees exchange fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law.

eWealth by Sendero will bill eWealth clients quarterly in arrears based on the last business day of the proceeding calendar quarter portfolio value. The rate used each quarter for all fee schedules below will be one-fourth of the annual rate. Accounts may be subject to any minimum fee specified in the Client Agreement. The initial fee (“initial Fee”) will be calculated as the date the Client Agreement is accepted by eWealth by Sendero (the “Commencement Date”). The Initial Fee will cover the period from the Commencement Date until the last day of the initial calendar quarter. The Initial Fee will be calculated proportionately with respect to the number of days in the initial billing period, and will be based on the market value of the client’s assets on the Commencement Date. Thereafter, the quarterly fee will be calculated based on the market value of the client’s assets as of the last day of the preceding calendar quarter. The quarterly fee will become due on the first business day of the following calendar quarter, and will be deducted from the account shortly thereafter.

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Sendero does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

## ITEM 7 – TYPES OF CLIENTS

Sendero provides traditional investment advisory services to select high net worth individuals, families, endowments and charitable organizations.

eWealth by Sendero provides advisory services to the emerging high net worth client with investable assets from \$1-5MM, individuals, families, endowments and charitable organizations.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### TRADITIONAL ADVISORY SERVICES

#### Designing the Right Mix

Before making any recommendations, Sendero becomes familiar with the client's entire scope of assets as well as their investment goals, risk tolerance and distribution requirements through a questionnaire and multiple discussions. A client's investment objective typically consists of a return in dollar amount or percentage they are trying to achieve over the investment cycle. Usually this number comes from a necessary spending rate plus inflation so that a portfolio maintains buying power and growth over time. Sendero addresses the unique challenges of wealth in the investment policy statement (IPS) as well. We discuss the goals and needs of the portfolio in the near term (current cash flow), intermediate term, and long term (legacy). A client's personal and financial goals are vital to the investment process and we talk about them at each meeting. Understanding a client's comprehensive goals and challenges also help us to bring customized educational pieces that are important and relevant to them. This comprehensive view allows us to customize a blend of investment strategies to diversify exposure. This blending of asset classes serves to smooth the return variance.

- **Stability Assets** – Intended to reduce the volatility or risk profile of a portfolio and includes asset classes such as cash, bonds, and market neutral hedge funds.
- **Growth Assets** – Intended to grow the assets of a portfolio and will have higher volatility or risk profile. This category includes asset classes such as domestic stocks, international stocks and long-short hedge funds.
- **Opportunistic Assets** – Intended to take advantage of opportunities that are outside the stable asset and growth asset characteristics, have higher volatility or risk profile, higher return prospects, lower liquidity and may be experiencing a market dislocation. This category includes asset classes such as energy, real estate and private equity.

#### Manager Selection

Sendero tends to focus on small to mid-tier managers with significant portions of owner/employee wealth invested in their firm. Our search process begins with historical quantitative data and portfolio characteristics. We then evaluate numerous qualitative factors to gain a better understanding of the organization, key decision makers and viability of the strategy. Managers are selected based on their track record as well as their clear vision of how they expect to add value in the future. The result is a portfolio of elite managers with proven investment strategies and reasonable fees, many times negotiated down from the public fee schedule.

### **Always Perfecting the Strategy**

We are an advocate for each client, focused on the investment environment and how it will impact the investment strategy. We then provide recommendations that position our clients to protect their wealth and grow it responsibly in all market conditions.

### **Risk of Loss**

A risk of investing with a third-party manager who has been successful in the past is that they may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate of strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Investing in securities involves risk of loss that clients should be prepared to bear.

eWealth uses the results of Sendero's research and due diligence to create allocations and manager selections similar to Sendero's but tailored for the emerging high net worth investor.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sendero or the integrity of Sendero's management.

Sendero has no activity or information applicable to this Item.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Scott McMillian is the Chief Executive Officer and Fred Middleton is the Chairman of Sendero and, as such, manages the investment advisory activities of the firm. However, they are also registered representatives of Sendero Securities, LLC., an affiliated Broker-Dealer registered with FINRA. Likewise, Brenda Allen, Thomas Carter, Amaury Conti, Kate Hall, Edward Hart, Lisa Kahn-Smith, Tara Maxwell and George Watson, III, all registered representatives of Sendero Securities, LLC. In their separate capacities, as registered representatives, these individuals are able to effect securities transactions for advisory clients, for which these individuals could receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities.

## ADDITIONAL COMPENSATION

### **Mutual Fund Charges**

To the extent mutual funds are selected by Sendero to fill components of a client's overall investment strategy, Sendero endeavors to purchase such mutual fund shares at net asset value or on a "no-load" basis. To the extent Sendero is successful in doing so, its clients will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might normally be incurred upon the purchase or sale of shares of mutual fund shares.

### **Support Services Agreement**

Sendero entered into a Support Services Agreement in 2015, wherein the Firm will receive certain support services and compensation from an affiliate of its primary custodian. The support services agreement consists of services that qualify as brokerage of research services under Section 28(e) of the Securities Exchange Act of 1934, as well as services that may not fit within the safe harbor provided in Section 28(e). The compensation will be comprised of an annual fee for approved expenses relating to systems, software, research and other technology based products and services, as well as other approved marketing expenses.

### **Referral Arrangements**

Sendero has, and from time to time may recommend to their client's investments with investment managers, or in investment funds with which Sendero has established a referral relationship through the Broker Dealer. Such referral relationships result in the receipt by the Broker Dealer from such investment managers or investment funds of a portion of the fees earned by such investment managers, or investment funds, in connection with the investment made by the referred client. It is important to note that the fees payable to the Broker Dealer in connection with such referral relationships are not payable by Sendero's clients (either directly or indirectly from their investment with such investment managers or in such investment funds), but rather are payable out of the fees earned by such investment managers and investment funds.

Clients should be aware that the receipt of additional compensation by Sendero and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Sendero endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- Sendero discloses to clients the existence of all material conflicts of interest, including the potential for Sendero and our employees to earn compensation from advisory clients in addition to advisory fees;
- Sendero discloses to clients that they are not obligated to purchase recommended investment products from employees or the investment managers or investment funds;
- Sendero collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Sendero management conducts regular reviews of each client account to verify that

- all recommendations made to a client are suitable to the client's needs and circumstances;
- Sendero requires that its employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
  - Sendero periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by Sendero; and
  - Sendero educates our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## ITEM 11 – CODE OF ETHICS

Sendero has adopted a Code of Ethics for each employee of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Sendero must acknowledge the terms of the Code of Ethics annually, or as amended.

Sendero anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Sendero has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Sendero its affiliates and/or clients, directly or indirectly, have a position of interest. Sendero's employees and persons associated with Sendero are required to follow Sendero's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Sendero and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Sendero's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Sendero will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Sendero's clients. In addition, the Code requires pre-clearance of all transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, to reasonably prevent conflicts of interest between Sendero and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Sendero's obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Sendero will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the

initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is Sendero's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an advisor, or an affiliate, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

Sendero's clients or prospective clients may obtain a copy of the firm's Code of Ethics by calling 210-805-0171 or in writing to our address at 250 W. Nottingham, Suite 300, San Antonio, TX 78209.

## **ITEM 12 – BROKERAGE PRACTICES**

Sendero does not have any type of arrangements with other broker/dealers that would provide us with any type of products or services in exchange for trade execution.

Sendero may consider several factors in recommending other broker/dealers to its clients, including, for example, transaction costs, price, clearance, settlement ease of execution and integration with existing Sendero systems, systems for monitoring client investment and regulatory compliance, reputation, financial strength and stability. Sendero may, and expects to recommend that its traditional advisory clients utilize Pershing Advisor Solutions LLC/Pershing LLC (the "Broker-Dealer") for brokerage services. Sendero may, and expects to recommend that its eWealth clients will use the TD Ameritrade platform for trade execution and custody.

For both Sendero Wrap and Non-Wrap accounts that utilize Portfolio Managers, the Portfolio Manager could execute transactions away from the Broker-Dealer. When a transaction is executed through a broker-dealer other than Pershing LLC., clients may incur a transaction fee, commission, and/or other charges that will be in addition to the fee charged by Pershing LLC. The other Broker-Dealer shall be entirely responsible for the execution and clearance of these transactions. Sendero monitors the trading costs associated with these "away" trades at least annually, to ensure that the respective Portfolio Manager is obtaining "best Execution" for Sendero clients.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Assets for which Sendero is providing traditional investment advisory services, unless otherwise specified by the client, are monitored on a systematic basis and are reviewed at least annually by a principal or other person designated by the firm to ensure that the investment advice is consistent

with the client's stated investment objectives. Notwithstanding the above, more active accounts and larger accounts may be reviewed on a more frequent basis.

Assets for which Sendero is providing advisory services pursuant to its eWealth platform are monitored at least annually by the Firm's Investment Committee and changes to the model allocations may be made at such time. In addition, it should be noted that changes may be made to the model allocations at any other time during the year, as determined by the Firm's Investment Committee.

The nature and frequency of reports to clients are determined primarily by the client's needs. Generally, clients are issued reports at least quarterly, which are intended to demonstrate the performance of account assets as well as provide an asset holding summary and contribution/withdrawals for the relevant period. Clients will also receive brokerage transaction confirmations and monthly and/or quarterly account statements from the custodians of their assets.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

If a solicitor introduces a client to Sendero, Sendero may pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and the rules set forth by the respective state jurisdictions. Any such referral fee shall be paid solely from the fees earned by Sendero hereunder, and shall not result in any additional charge to the client. If the client is introduced to Sendero by a solicitor, the solicitor shall provide the client with a copy of this Form ADV Part IIA and a copy of the disclosure statement containing the information set forth in Rule 206(4)-3(b) of the Advisers Act.

#### **ITEM 15 – CUSTODY**

Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Sendero urges the client to carefully review such statements and compare such official custodial records to the reports that we may provide to the client. Sendero's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities, but Sendero does not believe that such differences are material in nature. Sendero does not have custody of any client's assets.

#### **ITEM 16 – INVESTMENT DISCRETION**

##### **Traditional Advisory Services**

Sendero does not receive discretionary authority from our clients to purchase or sell securities within a client portfolio. The money managers selected by the client, however, will use discretion when investing on the client's behalf.

When making recommendations to clients for their approval in non-discretionary portfolios, Sendero observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions are provided to Sendero in writing.

#### **eWealth by Sendero Advisory Services**

All portfolios managed by eWealth by Sendero are managed on a discretionary basis. Sendero maintains discretion over these account in order to make changes to the model allocations, as the firm deems necessary. Sendero does not have any other discretion (i.e., the ability to transfer assets between accounts, or out of an account) over eWealth accounts. Sendero will make model allocation recommendations based on risk questionnaire for these accounts. Models are to be rebalanced at least annually unless model proportions dictate sooner.

### **ITEM 17 – VOTING CLIENT SECURITIES**

Sendero will not take any action or render any advice to any client or any account under our traditional advisory agreement with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held. The manner in which a specific Portfolio Manager addresses conflicts related to proxy voting is set forth in the Portfolio Manager's individual proxy voting procedures, which will be provided upon request to clients who select the Portfolio Manager. The Custodian will forward to the client, or any person designed by the client, any proxy materials that they receive pertaining to securities held in the account(s). Clients may contact Sendero in the event they wish to know how their proxies were voted by the applicable Portfolio Manager on their behalf.

In the case of eWealth by Sendero accounts where discretion is exercised, as noted above, Sendero will vote the proxies on the client's behalf.

Neither Sendero nor any Portfolio Manager shall render any advice or take any action on behalf of clients with respect to securities or other investments held in any account, or the issuers thereof, that become the subject of any legal proceedings, including bankruptcies. Clients retain the right and obligation to take such legal action relating to the securities held in their account(s).

### **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sendero's financial condition.

Sendero has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceedings.